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Report Highlights:

Inflation rate dips to 0.13% - Food still dearer, *India committed to the successful conclusion of the Doha process: Commerce Minister*, *Monsoon unlikely to revive for another week*, *Food Security Act Execution Tough: Planning Commission*, *Basmati rice exports may double in FY 2009-10*, *Delhi to see steep hike in imported liquor prices*, *Parliamentary panel recommends blanket ban on FDI in retail*, *Star Power: TESCO builds supply lines for Trent's Hypermarket*, *Oilmeal exports drop 64 percent in May*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been

made for clarification.

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INFLATION RATE DIPS TO 0.13% - FOOD STILL DEARER

The wholesale price index-based inflation rate has further slipped from 0.48 percent to 0.13 percent for the week ended May 30. That makes it the thirteenth consecutive week when year-on-year inflation has ruled below the one percent level. Sub-one percent overall inflation, however, hides the much higher price increase registered in foodstuffs. Thus, while all-commodities annual inflation for the latest recorded week was 0.13 percent, the corresponding rate for the 'primary articles' group stood at 5.7 percent and within the primary articles group, 'food articles', which include foodgrains, fruits and vegetables, and milk, was 8.6 percent. Within manufactured products, the inflation in 'food products' was 12.36 percent, with sugar price inflation at 31.27 percent. (Source: Business Line, 06/12/09)

INDIA COMMITTED TO THE SUCCESSFUL CONCLUSION OF THE DOHA PROCESS: COMMERCE MINISTER

In his special address to the Cairns group in Bali on June 8, 2009, Mr. Anand Sharma, India's new Minister of Commerce and Industry, reiterated the Indian commitment to the successful conclusion of the Doha process through constructive engagement. While emphasizing on the need for resumption of negotiations based on the draft reports on Agriculture and NAMA, the Minister stated that the 'development dimensions' of the Doha round must be central to all discussions and the aspirations of all developing countries for a fair trading regime must be recognized. During the meeting, Mr. Anand Sharma also had discussions with Ron Kirk, the U.S. Trade Representative. The two agreed to take forward the multilateral negotiations and to review US-India bilateral engagement during the visit of Mr. Sharma to Washington later this month. (Source: Press Information Bureau Press Release, 06/08/09)

MONSOON UNLIKELY TO REVIVE FOR ANOTHER WEEK

There is some bad news on the monsoon front. The Indian Meteorological Department (IMD) said on June 10 that the southwest monsoon was not likely to revive during the next one week and consequently its advance over the east, north peninsular and adjoining central India would be delayed, although occasional thunderstorm activity would continue. Senior IMD officials, however, maintained there was no cause for concern. "The current weak phase will pass. Rainfall in July is more crucial. Indian agriculture depends more on rainfall in July." (Source: Business Line, 06/11/09)

FOOD SECURITY ACT EXECUTION TOUGH: PLANNING COMMISSION

Expressing skepticism over the proposed Food Security Act, the Planning Commission said that the implementation of the new law would not be a cakewalk. It said that fixing responsibility in case of failure in implementing the law would be an area of concern. Soon after taking charge of the Planning Commission for the second consecutive term, Deputy Chairman Montek Singh Ahluwalia has expressed concern over the food security situation saying "The Commission has already suggested enhancing production," and asserted that the real issue is not providing foodgrains at a subsidized rate, but rather ensuring availability of staple food at an affordable price. (Source: Asian Age, 06/11/09)

BASMATI RICE EXPORTS MAY DOUBLE IN FY 2009-10

Basmati rice exports are expected to at least double to 1.8 to 2.0 million tons this fiscal year (Apr-Mar), driven by demand from Iran and Kuwait, trade officials said. Indian basmati, which competes with rival Pakistan varieties, has seen a surge in exports volume in part because of the inclusion of some superior rice varieties such as Pusa and Pusa 1121 in the basmati category in October 2008. Exports of Pusa and Pusa 1121 varieties of rice are expected to push up the total export volume of basmati rice in 2009-10. "In some markets, such as Iran and Kuwait, they like Pusa and Pusa 1121," said a major rice exporter. India's basmati exports were hurt in the last fiscal year as the government raised the floor price for exports to \$1,200 per ton and levied a tax of Rs. 8,000 per ton. (Source: Business Line, 06/12/09)

DELHI TO SEE STEEP HIKE IN IMPORTED LIQUOR PRICES

The price of imported spirits and wine is set to rise sharply in Delhi. The Delhi Excise Department has changed taxes on imported spirits and wine to 30 percent of the maximum retail price from the earlier taxes of Rs. 300 per bottle on spirits and Rs. 150 per bottle on wine. This is a big blow to the multinational alcoholic beverage firms, which had seen Delhi emerge as a large market for imported spirits and wines. One of the leading importers of imported alcoholic beverage said that the change in the taxes will severely undermine the quality and range of premium and super premium offerings in the Delhi market and drag down sales significantly. Industry sources report that the price of some of the imported whiskies like Jack Daniels, Chivas Regal and Johnnie Walker Black will move up from the current price of Rs. 2,200 to Rs. 2,300 (\$46-48) per bottle (750 ml) to Rs. 2,700 to 2,800 (\$56-58) per bottle. The price hike in premium wine brands will be still steeper. (Source: Economic Times, 06/09/09)

PARLIAMENTARY PANEL RECOMMENDS BLANKET BAN ON FDI IN RETAIL

A parliamentary panel has proposed a blanket ban on foreign direct investment in (FDI) retail. The parliamentary standing committee also opposed the entry of large Indian companies in retailing of grocery, fruits and vegetables, or using malls to sell these products. The panel said that modern retailing would lead to job losses and force small stores out of business. The committee recommended that a blanket ban should be imposed on domestic renowned corporations and foreign retailers from entering into the retail trade in grocery, fruits, and vegetables. The committee's suggestions are laid before the parliament for debate but are not binding on the government. (Source: The HT-Mint, 06/09/09)

STAR POWER: TESCO BUILDS SUPPLY LINES FOR TRENT'S HYPERMARKET

UK's Tesco Plc., the world's third largest retailer, is close to concluding its supply chain integration with Tata's Trent's hypermarket – Star Bazaar. Such supply chain integration will be a part of Tesco's franchise agreement with Trent, the retail arm of the Tata Group. The development is seen as a precursor to Tesco's much awaited entry into India's cash and carry wholesale space. Tesco's first store is scheduled to open next year. According to a Tesco's spokesperson, the company plans to develop a wholesale cash and carry business and operate a franchisee agreement with Trent in India. (Source: The Economic Times: 06/09/09)

OILMEAL EXPORTS DROP 64 PERCENT IN MAY

A drop in production of meat and lower demand for compound feeds resulted in oilmeal exports continuing to decline for the fifth straight month. The Solvent Extractors' Association (SEA) of India, in its data released on Monday, said oilmeal exports in May declined 64 percent to 178,000 tons compared to 492,000 tons during the same period a year ago. For the calendar year the shipments have dropped by 51 percent to 1.76 million tons. According to SEA, several Asian nations have suffered due to a crisis in the livestock industry that has led to lower consumption of soy meal and other oilmeals. In particular, exports of soy meal dropped by over 75 percent to 77,018 tons in May as compared to 326,000 tons. Rapeseed meal shipments slipped to 87,472 tons (113,000 tons) and rice bran to 6,560 tons (36,135 tons). SEA said global production of soybeans was expected to fall 6.8 million tons and the tightness in meal supplies was a major bullish factor for oilmeals. (Source: Business Line, 06/04/09)

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